

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 1, 2010

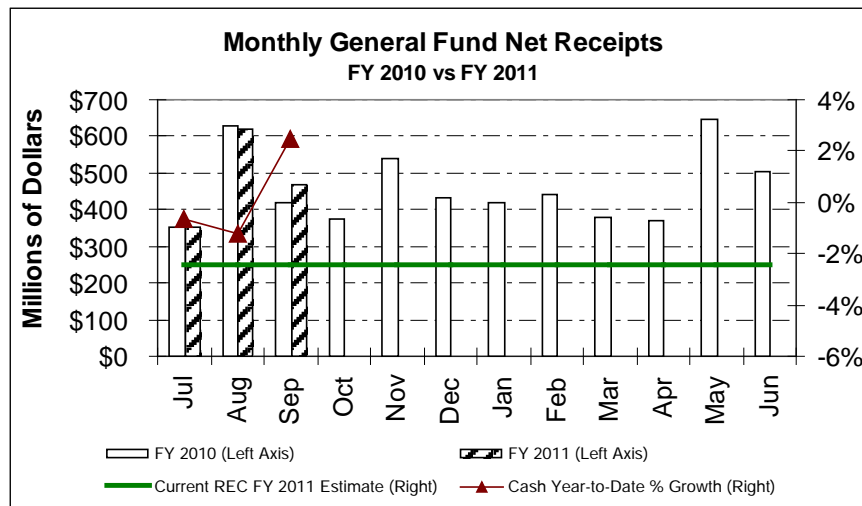
Monthly General Fund Receipts through September 30, 2010

The spreadsheet at the end of this document presents FY 2011 General Fund total net receipts with comparable figures for actual FY 2010. The figures can be compared to the FY 2011 estimate of \$5.358 billion set by the Revenue Estimating Conference (REC) on March 11, 2010. The FY 2011 estimate is an estimated decrease of \$135.1 million (- 2.5%) compared to actual FY 2010 total net receipts (excludes transfers). The next REC meeting is scheduled for October 11, 2010.

FY 2010 Final Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = - 8.71%						
Year-to- Date Ending:	Year-to- Date FY 2009	Year-to- Date FY 2010	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,929.0	\$1,777.6	-\$151.4	-7.8%	-\$168.0	\$16.6
Nov	2,516.6	2,318.6	-198.0	-7.9%	-219.2	21.2
Dec	2,902.1	2,751.1	-151.0	-5.2%	-252.8	101.8
Jan	3,425.0	3,168.1	-256.9	-7.5%	-298.3	41.4
Feb	3,900.0	3,607.6	-292.4	-7.5%	-339.7	47.3
Mar	4,223.2	3,985.2	-238.0	-5.6%	-367.8	129.8
Apr	4,566.3	4,354.7	-211.6	-4.6%	-397.7	186.1
May	5,272.7	4,999.0	-273.7	-5.2%	-459.3	185.6
Jun	5,738.9	5,504.2	-234.7	-4.1%	-499.9	265.2
Year end	5,749.0	5,492.8	-256.2	-4.5%	-500.5	244.3
Adjustment for Transfers						-12.7
Year end net receipts, including transfers						\$231.6

Final FY 2010 Revenue

Net General Fund revenue for FY 2010, excluding transfers, totaled \$5.493 billion, a decrease of \$256.2 million (- 4.5%) compared to FY 2009. The total FY 2010 net amount was \$244.3 million more than projected by the March 2010 REC. Adjusting for transfers that were \$12.7 million below projections, net General Fund revenue, including transfers, was \$231.6 million above projections for the year.



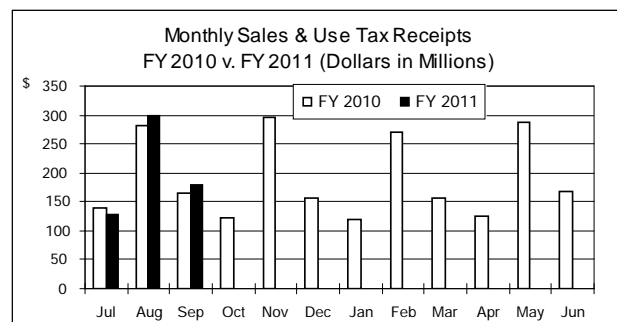
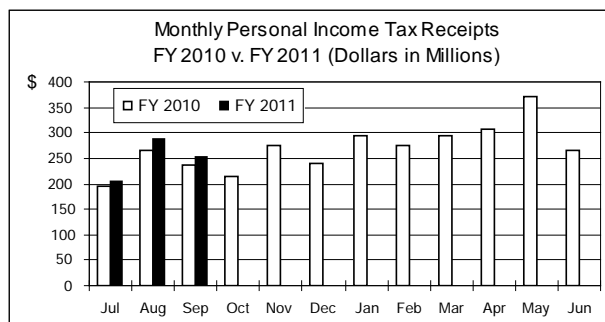
FY 2011 Compared to FY 2010

Year-to-date FY 2011 total net receipts (excluding transfers) increased \$35.0 million (2.5%) compared to FY 2010. The year-to-date revenue change is significantly impacted by the racing and gaming receipt deposit timing issue discussed in the Other Receipts section below. Without this issue, net receipts would show an increase of approximately 6.4% year-to-date. Major sources and their contribution to the FY 2011 change include:

- Personal income tax (positive \$42.9 million, 6.1%)
- Sales/use tax (positive \$20.5 million, 3.5%)
- Corporate tax (positive \$10.9 million, 15.6%)
- Other taxes (positive \$11.7 million, 9.0%)
- Other receipts (negative \$63.0 million, - 53.4%)
- Tax refunds not including school infrastructure refunds (positive \$16.7 million)
- School infrastructure sales/use tax refunds (negative \$4.7 million)

Personal Income Tax revenues received in September totaled \$251.5 million, an increase of \$14.2 million (6.0%) compared to September 2009.

The FY 2011 REC income tax estimate of \$3.202 billion represents a projected decrease of 1.0% compared to actual FY 2010. Through September, total income tax receipts increased 6.1%. By subcategory, withholding payments increased \$27.5 million (4.5%), estimate payments increased \$5.6 million (7.5%), and payments with returns increased \$9.8 million (93.7%). The following chart compares FY 2011 monthly income tax receipts with FY 2010.



Sales/Use Tax receipts received in September totaled \$178.8 million, an increase of \$13.3 million (8.0%) compared to September 2009.

The REC estimate for FY 2011 sales/use tax receipts is \$2.267 billion, a decrease of 1.1% compared to actual FY 2010. Through September, sales/use tax receipts increased 3.5%. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

Corporate Income Tax receipts received in September totaled \$45.9 million, an increase of \$7.6 million (19.8%) compared to September 2009.

The REC estimate for FY 2011 corporate tax revenue is \$369.3 million, a decrease of 5.1% compared to actual FY 2010. Through September, corporate income tax receipts increased 15.6%.

Other tax receipts received in September totaled \$35.5 million, an increase of \$3.5 million (10.9%) compared to September 2009. Cigarette, inheritance, and franchise tax increased for the month.

The REC estimate for FY 2011 other tax revenue is \$431.7 million, a decrease of 0.5% compared to actual FY 2010. Through September, other tax receipts increased 9.0%.

Other receipts (non-tax receipts) received in September totaled \$12.7 million, a decrease of \$30.6 million (- 70.7%) compared to September 2009. As a result of recent legislation, \$66.0 million in racing and gaming revenue will not be deposited to the General Fund until much later in the fiscal year. This negatively impacted receipts in September by \$22.2 million and year-to-date receipts by \$55.2 million. The full \$66.0 million in racing and gaming receipts will be deposited in the General Fund later in the fiscal year.

The REC estimate for FY 2011 other receipts revenue is \$351.9 million, a decrease of 2.1% compared to actual FY 2010. Through September, other receipts decreased 53.4%.

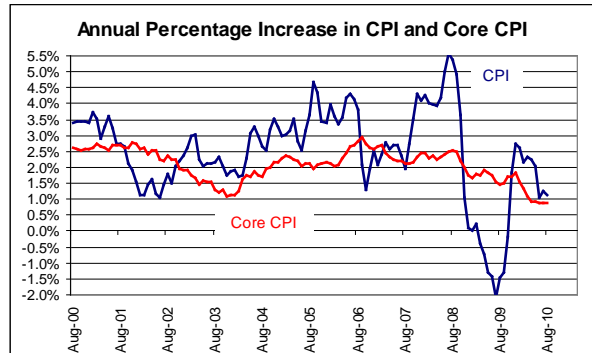
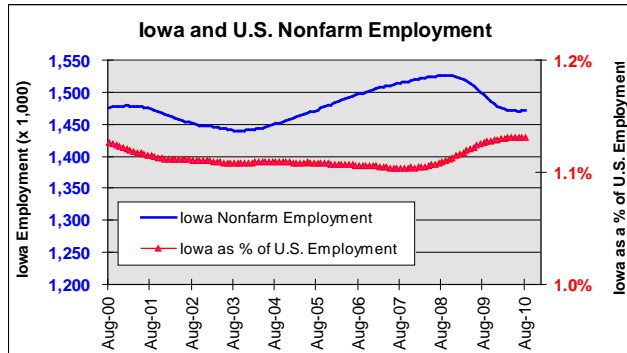
Tax Refunds issued in September totaled \$33.7 million, a decrease of \$36.6 million (52.1%) compared to September 2009. September 2009 tax refunds were unusually high compared to other years and the amount issued in September 2010 was more typical for the month.

Status of the Economy

Iowa nonfarm employment was reported at 1,459,000 for the month of August (not seasonally adjusted), 300 lower (- 0.0%) than August 2009.

Iowa's 12-month average employment is presented in a graph below. Iowa's average non-farm employment peaked in October 2008 at 1,526,400, 47,700 above the peak prior to the previous recession (Jan. 2001) and 86,500 below the trough of that recession (Sept. 2003). The current 12-month average reading is now 1,470,600, so annual average Iowa nonfarm employment is 55,800 below the October 2008 peak and 8,100 below the January 2001 peak. This situation is not unique to Iowa, as current U.S. nonfarm employment is also below the peak experienced prior to the 2001 U.S. recession.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment has been improving since the start of the recession in December 2007; however, the improvement has moderated considerably in recent months.



Consumer prices were increased 0.14% in August (not seasonally adjusted). The Consumer Price Index (CPI-U) through August 2010 was 218.3 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual inflation rate now stands at 1.1%.

Core CPI, an inflation measure excluding food and energy expenditures, was flat for the fifth month in a row in August and stands at 0.9%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for twenty-one consecutive months. For the two components excluded from the core rate, energy prices are up 3.8% year-over-year while food prices are up 1.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 10 Actual Compared to FY 11 REC Estimate		
	FY 2010	FY 2011	Year to Date % Change	September % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 699.4	\$ 742.3	6.1%	6.0%	\$ 3,235.9	\$ 3,202.4	-1.0%
Sales/Use Tax	587.3	607.8	3.5%	8.0%	2,293.0	2,267.1	-1.1%
Corporate Income Tax	69.8	80.7	15.6%	19.8%	389.3	369.3	-5.1%
Inheritance Tax	17.1	18.6	8.8%	14.0%	67.4	69.6	3.3%
Insurance Premium Tax	40.0	49.4	23.5%	0.0%	88.6	90.2	1.8%
Cigarette Tax	56.1	54.6	-2.7%	11.8%	206.1	199.9	-3.0%
Tobacco Tax	7.3	7.6	4.1%	-10.7%	26.0	24.7	-5.0%
Beer Tax	4.1	4.2	2.4%	8.3%	14.4	14.4	0.0%
Franchise Tax	6.9	7.4	7.2%	13.7%	31.6	31.6	0.0%
Miscellaneous Tax	-1.3	0.1	107.7%	0.0%	-0.4	1.3	-425.0%
Total Gross Taxes	\$ 1,486.8	\$ 1,572.7	5.8%	8.1%	\$ 6,352.0	\$ 6,270.5	-1.3%
Institutional Payments	4.1	3.0	-26.8%	-46.2%	14.8	14.7	-0.7%
Liquor Profits	19.3	22.5	16.6%	22.2%	80.3	87.2	8.6%
Interest	0.2	0.6	200.0%	200.0%	4.0	2.8	-30.0%
Fees	11.8	6.8	-42.4%	-62.5%	47.8	32.8	-31.4%
Judicial Revenue	19.9	12.8	-35.7%	-86.7%	108.6	114.0	5.0%
Miscellaneous Receipts	7.5	9.3	24.0%	-5.0%	37.8	34.4	-9.0%
Racing and Gaming Receipts	55.2	0.0	-100.0%	-100.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,604.8	\$ 1,627.7	1.4%	1.5%	\$ 6,711.4	\$ 6,622.4	-1.3%
Accrued Revenue-Net					13.1	18.5	
Tax Refunds *	-107.2	-90.5	-15.6%	-52.1%	-859.1	-916.0	6.6%
School Infrast. Refunds *	-95.0	-99.7	4.9%	-9.0%	-372.5	-367.1	-1.4%
TOTAL NET RECEIPTS	\$ 1,402.5	\$ 1,437.5	2.5%	11.2%	\$ 5,492.9	\$ 5,357.8	-2.5%
<p>The Actual FY 2010 column is now final.</p> <p>* For FY 2010 and FY 2011 Year-to-Date columns, refunds are presented on a cash basis. For FY 2010 Actual and FY 2011 Estimate, refunds are presented on a fiscal year basis.</p>							